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FISCAL IMPACT STATEMENT

LS 6880

BILL NUMBER: HB 1491

NOTE PREPARED: Dec 30, 2002

BILL AMENDED:

SUBJECT: School Corporation Borrowing Costs Paid by State.

FIRST AUTHOR: Rep. Heim

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: X GENERAL
DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill requires the state to pay the costs incurred by a school corporation if a delay in the payment of tuition support causes the school corporation to borrow money.

Effective Date: July 1, 2003.

Explanation of State Expenditures: The bill sets the tuition support distribution to local schools on the first working day of each month. The state can change the date, but must reimburse a school corporation for all costs incurred in borrowing money, including interest, attorney fees, and other costs because of the payment delay. Currently, the state distributes tuition support the first working day of each month except that no payment is made in January, and the 12th payment is made on December 30. The monthly distribution for CY 2003 is about \$300 M. If a 5% cost of borrowing is assumed, then the impact on the state would be about \$15 M. The bill annually appropriates the amount needed to reimburse schools their interest cost due to the delay.

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues: See *Explanation of State Expenditures*. Currently, the interest on short-term loans for cash flow purposes may be paid from the school's debt service fund. The bill could increase the revenue of schools from the state and possibly decrease the levy needs on the debt service fund. During CY 2001, 142 schools paid \$18.5 M of interest on temporary loans from their debt service funds.

State Agencies Affected: Department of Education.

Local Agencies Affected: Local Schools.

Information Sources:

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